

**COMMANDER HEALTH CARE FACILITIES, INC.  
D/B/A COMMANDER NURSING CENTER**

**FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-CMD-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 26, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Commander Health Care Facilities, Inc. d/b/a Commander Nursing Center, for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Commander Health Care Facilities, Inc. d/b/a Commander Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Commander Health Care Facilities, Inc. d/b/a Commander Nursing Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
May 26, 1999

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract periods beginning October 1, 1998, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**COMMANDER HEALTH CARE FACILITIES, INC.  
D/B/A COMMANDER NURSING CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-CMD-J7

	<u>10/01/98- 11/30/98</u>	<u>Beginning 12/01/98</u>
Adjusted Reimbursement Rate	\$73.27	\$74.02
Interim Reimbursement Rate (1)	<u>73.20</u>	<u>73.95</u>
Increase in Reimbursement Rate	\$ <u>.07</u>	\$ <u>.07</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**COMMANDER HEALTH CARE FACILITIES, INC.**  
**D/B/A COMMANDER NURSING CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 1998 Through November 30, 1998  
 AC# 3-CMD-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.67	\$41.87	
Dietary		8.36	9.44	
Laundry/Housekeeping/Maint.		<u>6.87</u>	<u>7.70</u>	
Subtotal	<u>\$4.13</u>	48.90	59.01	\$48.90
Administration & Med. Rec.	<u>\$5.34</u>	<u>5.04</u>	<u>10.38</u>	<u>5.04</u>
Subtotal		53.94	<u>\$69.39</u>	53.94
<u>Costs Not Subject to Standards:</u>				
Utilities		2.31		2.31
Special Services		1.86		1.86
Medical Supplies & Oxy.		3.06		3.06
Taxes and Insurance		.74		.74
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$61.91</u>		61.91
Inflation Factor (3.60%)				2.23
Cost of Capital				8.13
Cost of Capital Limitation				(1.00)
Profit Incentive (Max. 3.5% of Allowable Cost)				2.17
Cost Incentive				4.13
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.55)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$73.27</u>

**COMMANDER HEALTH CARE FACILITIES, INC.**  
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 Computation of Adjusted Reimbursement Rate  
 For the Contract Periods Beginning December 1, 1998  
 AC# 3-CMD-J7

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Cost Incentive				4.13
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.55)
CNA Add-On				.75
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$74.02</u>

**COMMANDER HEALTH CARE FACILITIES, INC.**  
**D/B/A COMMANDER NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-CMD-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,991,156	\$ -	\$ 183 (2) 4,420 (2)	1,986,553
Dietary	493,289	67 (2)	-	493,356
Laundry	52,873	108 (2) 35,758 (4)	35,070 (3)	53,669
Housekeeping	193,013	2,857 (4)	301 (2)	195,569
Maintenance	156,160	2,333 (4)	2,281 (3)	156,212
Administration & Medical Records	302,608	1,224 (2) 4,524 (4)	7,379 (2) 3,769 (3)	297,208
Utilities	136,221	2,013 (4)	1,975 (3)	136,259
Special Services	110,006	-	-	110,006
Medical Supplies & Oxygen	179,868	619 (2)	-	180,487
Taxes & Insurance	43,856	843 (4)	822 (3)	43,877
Legal Fees	9	11 (4)	9 (3)	11



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 Summary of Costs and Total Patient Days  
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<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	410,668	6,513 (4) 77,574 (6)	7,573 (1) 6,357 (3) 1,034 (5)	479,791
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	4,069,727	134,444	71,173	4,132,998
Ancillary	51,392	-	-	51,392
Non-Allowable	96,853	10,265 (2) 50,283 (3) 1,034 (5)	54,852 (4) 77,574 (6)	26,009
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$4,217,972</u>	<u>\$196,026</u>	<u>\$203,599</u>	<u>\$4,210,399</u>
Total Beds	<u>163</u>	Total Patient Days		<u>59,004</u>

**COMMANDER HEALTH CARE FACILITIES, INC.**  
**D/B/A COMMANDER NURSING CENTER**  
Adjustment Report  
For the Cost Report Period Ended September 30, 1997  
AC# 3-CMD-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 6,693	
	Other Equity	39,298	
	Fixed Assets		\$ 38,418
	Cost of Capital		7,573
	To adjust fixed assets and related depreciation expense to allowable State Plan, Attachment 4.19D		
2	Nonallowable	10,265	
	Dietary	67	
	Laundry	108	
	Medical Records	1,224	
	Medical Supplies	619	
	Nursing		183
	Restorative		4,420
	Housekeeping		301
	Administration		7,379
	To adjust health insurance and related allocation State Plan, Attachment 4.19D		
3	Nonallowable	50,283	
	Laundry		35,070
	Maintenance		2,281
	Administration		3,769
	Legal		9
	Utilities		1,975
	Taxes and Insurance		822
	Cost of Capital		6,357
	To reverse provider's laundry allocation State Plan, Attachment 4.19D		

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<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Cost of Capital	6,513	
	Taxes and Insurance	843	
	Administration	4,524	
	Legal	11	
	Maintenance	2,333	
	Utilities	2,013	
	Laundry	35,758	
	Housekeeping	2,857	
	Nonallowable		54,852
	To record laundry allocation State Plan, Attachment 4.19D		
5	Nonallowable	1,034	
	Cost of Capital		1,034
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
6	Cost of Capital	77,574	
	Nonallowable		77,574
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$242,017</u>	<u>\$242,017</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**COMMANDER HEALTH CARE FACILITIES, INC.**  
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 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1997  
 AC# 3-CMD-J7

	<u>Original Beds</u>	<u>30 Bed Addition</u>	<u>12 Bed Addition</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	34,069	
Number of Beds	<u>121</u>	<u>30</u>	<u>12</u>	
Deemed Asset Value	4,122,349	1,022,070	408,828	
Improvements Since 1981	1,071,330	73,532	22,579	
Accumulated Depreciation at 9/30/97	<u>(1,280,049)</u>	<u>(178,994)</u>	<u>(53,354)</u>	
Deemed Depreciated Value	3,913,630	916,608	378,053	
Market Rate of Return	<u>.067</u>	<u>.067</u>	<u>.067</u>	
Total Annual Return	262,213	61,413	25,330	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	262,213	61,413	25,330	
Depreciation Expense	97,292	27,350	13,059	
Amortization Expense	-	-	623	
Capital Related Income Offsets	(5,717)	(1,221)	(551)	
Allocation of Capital Expenses to Non-Reimbursable Cost Center	<u>-</u>	<u>-</u>	<u>-</u>	<b>Total</b>
Allowable Cost of Capital Expense	353,788	87,542	38,461	479,791
Total Patient Days	<u>43,801</u>	<u>10,860</u>	<u>4,343</u>	<u>59,004</u>
Cost of Capital Per Diem	\$ <u>8.08</u>	\$ <u>8.06</u>	\$ <u>8.86</u>	\$ <u>8.13</u>

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	<u>Original Beds</u>	<u>30 Bed Addition</u>	<u>12 Bed Addition</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.74	N/A	N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.73</u>	<u>\$8.06</u>	<u>\$8.86</u>
Reimbursable Cost of Capital Per Diem (*)		\$ 7.13	
Cost of Capital Per Diem		<u>8.13</u>	
Cost of Capital Per Diem Limitation		<u>\$(1.00)</u>	

(\*) (( \$6.73×43,801)+\$87,542+\$38,461)÷59,004